

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 AF-06 OPIC-03 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 EB-07 COME-00 SAJ-01 TRSE-00

OMB-01 ACDA-05 STR-04 CIEP-01 CEA-01 AGR-05 FEA-01

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R 111601Z SEP 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4228

INFO AMEMBASSY BERLIN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

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EO 11652: N/A

TAGS: EEWT, PINT, PFOR, PO

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SUBJECT: PORTUGUESE-COMMUNIST BLOC TRADE

REF: A. LISBON 5252 DTG 081754Z SEP 75 (NOTAL)
B. BRUSSELS 7627 DTG 271645Z AUG 75 (NOTAL)
C. LISBON A-162 (NOTAL)

SUMMARY: LOW PRESS ATTENTION AND RECENT TRADE FIGURES INDICATE EXPANSION OF TRADE WITH COMMUNIST BLOC HAS BEEN BOTH RELATIVELY SMALL AND UNFAVORABLE FOR PORTUGUESE. SOME FIGURES ON PORTUGUESE WINE SALES AND EAST GERMAN SHIP REPAIRS HAVE BEEN REPORTED, WHILE SOVIET REPRESENTATIVES EVADED QUESTIONS ABOUT CHANNELING MONEY TO PCP THROUGH SHIPPING AGENCY. PORTUGUESE EXPORT BOARD WORKERS HAVE CONDEMNED COMMUNIST MANEUVER AND NOTED UNFAVORABLE BALANCE OF TRADE. END SUMMARY.

1. IN RECENT INTERVIEW WITH YUGOSLAV PRESS, PRESIDENT COSTA GOMES LAUDED THE TRADE AND ECONOMIC RELATIONS WHICH PORTUGAL HAS BEEN DEVELOPING WITH THE "EAST AND THIRD WORLD" IN CONTRAST TO "PRESSURES" WHICH COUNTRY HAS BEEN SUBJECT TO FROM WEST (REF A). BOTH LOW LEVEL OF REPORTING BY LEFTIST PRESS AND OTHER RECENT EVENTS INDICATE THAT THINGS ARE NOT GOING AS WELL AS COMMUNIST APOLOGISTS WOULD HAVE PORTUGUESE PUBLIC BELIEVE.

ITEMS:

2. ACCORDING TO NATIONAL WINE BOARD, SOVIET UNION AND EAST GERMANY HAVE THUS FAR PURCHASED MORE THAN 14 MILLION GALLONS (545,000 HECTOLITERS) OF PORTUGUESE WINE, WITH ABOUT 85 PERCENT GOING TO SOVIET. IN OBVIOUS ATTEMPT TO COUNTERACT RUMORS ABOUT EXCESSIVELY LOW PRICES RECEIVED, WINE BOARD FOR FIRST TIME ANNOUNCED PRICES PAID--BETWEEN 15.5 CENTS AND 17.6 CENTS A LITER, DEPENDING ON TYPE OF WINE AND RESPONSIBILITY FOR TRANSPORT COSTS. TOTAL VALUE OF SHIPMENTS QUOTED AT ABOUT \$7.8 MILLION. BOARD SAID PRICES WERE FAVORABLE COMPARED TO 10.9 TO 14.5 CENTS A LITER RECEIVED BY SPAIN FOR SIMILAR WINES, THAT OTHER CONTRACTS WITH THESE TWO COUNTRIES ARE EXPECTED, AND THAT SALES TO POLAND HAVE ALSO ALREADY BEEN MADE.

3. SOVIET TRADE MISSION IN LISBON IN MID-AUGUST, HEADED BY PAVEL SAGUM, DIRECTOR-GENERAL OF SOVIET MINISTRY OF FOREIGN TRADE, REPORTEDLY CONCLUDED CONTRACTS FOR PURCHASING TEXTILES, LIMITED OFFICIAL USE

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KNITWEAR, SHOES, AND CLOTHING. HOWEVER, NO AMOUNTS OR PRICES WERE PROVIDED.

4. LISNAVE SHIPYARD ACTING MANAGING DIRECTOR CONFIRMED TO EMBOFF SEPTEMBER 4-5 PRESS REPORT THAT TWO EAST GERMAN MERCHANT SHIPS JUST LEFT LISNAVE AFTER REPAIRS. FOUR HAVE ALREADY BEEN REPAIRED, WITH ONE MORE DUE TO ARRIVE SHORTLY. REPAIRS MADE UNDER 8- SHIP, \$4 MILLION CONTRACT SIGNED IN JUNE. HOWEVER, SHIPS ARE

SMALL 10,000 TON OR LESS REEFER SHIPS, NOT SUPER-TANKERS LISNAVE IS USED TO REPAIRING. AT SAME TIME, LITTLE HAS BEEN HEARD ABOUT BIG CONTRACT WITH POLAND FOR CONSTRUCTION OF 70 SHIPS THAT GOP WAS TRUMPETING IN JUNE (LISBON 3066 NOTAL). RECENTLY-NATIONALIZED SHIPYARD IN VIANA DO CASTELO HAS CONSTRUCTED FIVE SMALL HULLS FOR POLES, BUT UNDER PREVIOUS CONTRACT. LISNAVE DIRECTOR DESCRIBED TRADE DEALS WITH EASTERN EUROPE AS "BLOWN UP PR."

5. SEPTEMBER 5 O SECULO REPORTED PRESS CONFERENCE HELD BY CAPTAIN LIONTYL VITALI, SOVIET MERCHANT MARINE REPRESENTATIVE IN PORTUGAL, TO ANSWER CHARGES THAT SOVIET UNION HAS BEEN CHANNELLING MONEY (NOTE: UNSPECIFIED BY VITALI, BUT ALLEGEDLY \$5 MILLION) TO PCP THROUGH LOCAL "MORFLOT" SHIPPING AGENCY. HOWEVER, VITALI NEVER ANSWERED CHARGES. HE LIMITED HIMSELF TO CONDEMNING ANTI-SOVIET "VENDETTA" AND VIOLATIONS OF BANK PRIVACY, AND AN IRRELEVANT REMARK THAT A SOVIET SOCCER TEAM WAS HERE TO FURTHER BILATERAL RELATIONS. HE WAS JOINED IN EVASIONS BY LOCAL VOVOSTI HEAD ALGUIS CHEKUOLIS, WHO EMPHASIZED THAT CREATION OF "MORFLOT" WAS IN ACCORDANCE WITH BILATERAL TREATY AND SAID THAT PORTUGUESE PORTS HAVE BEEN VISITED BY 150 SOVIET SHIPS THIS YEAR. NOTE: STORY WAS CARRIED IN AUGUST 25 INTERNATIONAL HERALD TRIBUNE (SEE REF B), BUT HAS RECEIVED SCANT PLAY IN LOCAL PRESS.

6. WORKERS OF EXPORT PROMOTION BOARD (FUNDO DE FOMENTO DE EXPORTACAO (FFE)) ISSUED COMMUNIQUE SEPTEMBER 6 STRONGLY CONDEMNING ATTEMPT BY COMMUNIST SECRETARY OF STATE FOR COOPERATION WITH SOCIALIST AND THIRD WORLD COUNTRIES TO CREATE HIGH POSITION IN FFE FOR ANOTHER COMMUNIST WHO WAS HIS FORMER COLLEAGUE ON PCP LEADER CUNHAL'S STAFF. WORKERS ALSO SAID THAT TRADE WITH EASTERN COUNTRIES NOT AS FAVORABLE AS REPORTED BY MEDIA, ESPECIALLY SINCE TRADE CONDITIONS ARE SAME AS FORMERLY IMPOSED BY "IMPERIALIST COUNTRIES." THEY REFERRED TO "SCANDALOUS" WAY IN WHICH WINE SALES TO SOVIETS HAVE BEEN MADE AND SAID THAT LIMITED OFFICIAL USE

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TRADE WITH THAT COUNTRY HAS RAPIDLY SHIFTED TO PORTUGAL'S DISFAVOR--\$314,000 FAVORABLE BALANCE IN 1973, \$863,000 DEFICIT FOR 1974, AND \$5.8 MILLION DEFICIT FOR FIRST FOUR MONTHS OF 1975 ALONG. (FIGURES FROM FFE WORKERS.)

7. STUDY OF LATEST TRADE FIGURES CORROBORATE UNFAVORABLE BALANCE OF TRADE WITH EASTERN BLOC IS CONTINUATION OF TREND NOTED REF (C). IN FIRST FIVE MONTHS OF 1975, PORTUGUESE EXPORTS TO EASTERN EUROPEAN COUNTRIES COVERED ONLY 51 PERCENT OF IMPORTS. IF CUBA IS ADDED, THE COVERAGE IS FAR WORSE--ONLY 25 PERCENT, AS WITH CUBA ITSELF COVERAGE WAS ONLY 0.6 PERCENT. BUT SEVERAL THINGS HAVE TO BE CONSIDERED. FIRST OF ALL, PORTUGUESE-COMMUNIST BLOC TRADE WAS STILL SMALL--3.3 PERCENT OF TOTAL IMPORTS, 1.7 PERCENT OF EXPORTS (INCLUDING CUBA). SECONDLY, PORTUGUESE EXPORT COVERAGE WAS ALSO VERY UNFAVORABLE WITH THE EC (55 PERCENT) AND THE U.S.

(31 PERCENT), AND OVERALL (49 PERCENT). THIRDLY, PORTUGAL MAINTAINED POSITIVE BALANCES IN ITS SMALL-SCALE TRADE WITH MOST OF THE COMMUNIST COUNTRIES. WHAT REALLY KNOCKED THE BALANCE FOR A LOOP WERE IMPORTS OF \$21 MILLION IN SUGAR FROM CUBA (40 PERCENT OF SUGAR IMPORTS), \$16 MILLION IN CRUDE OIL FROM SOVIET UNION (10 PERCENT OF OIL IMPORTS). IN TURN, SOVIET UNION BOUGHT 45 PERCENT OF PORTUGUESE ALMONDS, 28 PERCENT OF TOMATO PASTE, AND 1.2 PERCENT OF RED WINE EXPORTS, AND EASTERN EUROPE AS A WHOLE BOUGHT 10 PERCENT OF PORTUGUESE CORK EXPORTS.

8. COMMENT: ALTHOUGH NEWS OF TRADE WITH COMMUNIST BLOC MAY HAVE BEEN OVERSHADOWED BY LARGER POLITICAL EVENTS HERE, IT MAY ALSO BE THAT REALITY IS FINALLY SHOWING THROUGH THE "P.R." BALLYHOO ABOUT BIT PROSPECTS FOR NEW MARKETS WITH THE "SOCIALIST" COUNTRIES. COMMUNIST COUNTRIES AFTER ALL COMPETE WITH PORTUGAL IN MANY OF ITS MAIN EXPORT LINES. ALSO, COMMUNIST COUNTRIES HAVE SET STIFF TERMS FOR TRADE, WITH PORTUGUESE IN MOST CASES REPORTEDLY FORCES TO BEAR FINANCING COSTS. SUCH A HEAVY FINANCING BURDEN IS REPORTEDLY BEHIND FAILURE TO COMPLETE SHIPBUILDING CONTRACT WITH POLAND. PORTUGAL BOUGHT CUBAN SUGAR AT HIGHER PRICE THAN FROM OTHER SUPPLIERS. MOST PORTUGUESE EXPORTS TO SOVIET REPORTEDLY MADE ON BARTER BASIS. ALSO REPORTEDLY SOVIET VESSELS ARE CARRYING CARGO BETWEEN PORTUGAL AND ITS OVERSEAS "COLONIES" VIA THIRD COUNTRIES, WHEREAS BILATERAL SHIPPING ACCORD PROVIDED FOR ONLY DIRECT MOVEMENTS BETWEEN PORTUGAL AND USSR. CARLUCCI

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EAST WEST TRADE, PRESS COMMENTS, COMMUNIST COUNTRIES TRADE, WINES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LISBON05354
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750315-0851
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750962/aaaacdbx.tel
Line Count: 193
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LISBON 5252
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 21 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 APR 2003 by BoyleJA>; APPROVED <24 SEP 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PORTUGUESE-COMMUNIST BLOC TRADE
TAGS: EEWT, PINT, PFOR, PO, (COSTA GOMES, FRANCISCO DA)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006